

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2326 – SB 2646

April 17, 2018

**SUMMARY OF ORIGINAL BILL:** Enacts the *Tennessee Rural Hospital Transformation Act of 2018* (the Act). Requires the Department of Economic and Community Development (ECD) to establish and manage a rural hospital transformation program (Program), defined as a grant program administered by ECD to support rural hospitals in assessing viability and identifying new delivery models, strategic partnerships, and operational changes that enable the continuation of needed healthcare services in rural communities. Requires the ECD to identify contractors, which are to provide consultations to target hospitals for the creation of transformation plans.

Defines “target hospital” as a rural hospital deemed eligible by the state for the Program and defines “transformation plan” as a strategic plan developed by contractors in close collaboration with target hospitals and community stakeholders to provide recommendations and actionable steps for preserving healthcare services in the target hospital community.

Authorizes target hospitals to submit applications to the ECD for review and approval to receive a consultation. Transformation plans shall be developed through collaboration between the contractor, target hospital, target hospital community stakeholders, and other appropriate stakeholders. Finalized transformational plans shall include a timeline for implementation and must be submitted to ECD. Requires ECD to monitor the progress of target hospitals.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$200,000/FY18-19  
\$200,000/FY19-20  
\$60,000/FY20-21 and Subsequent Years

Other Fiscal Impact - Due to multiple unknown factors, any additional impact concerning transformation funding, if any, which may be provided by state or local government, cannot be determined with reasonable certainty but is reasonably estimated to exceed \$1,000,000.

**SUMMARY OF AMENDMENTS (014272, 017338):** Deletes and rewrites all language after the enacting clause such that the only substantive change establishes an advisory committee (the committee) comprised of one or more representatives from each of the following: the Department of Health (DOH), the Department of Labor and Workforce Development, the Bureau of TennCare, the Board of Regents, and other public and private stakeholders as deemed appropriate by the ECD. Requires the ECD to consult with the committee when providing

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consultations to target hospitals for the creation of transformation plans and further requires the ECD to consult with the committee when establishing the contents of applications required of target hospitals.

Amendment 017338 limits ECD's expenditures to \$1,000,000 per fiscal year and terminates the program on July 1, 2021.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

**Increase State Expenditures - \$1,000,000/FY18-19  
\$1,000,000/FY19-20  
\$1,000,000/FY20-21**

**Other Fiscal Impact - Due to multiple unknown factors, any additional impact concerning transformation funding, if any, which may be provided by state or local government, cannot be determined with reasonable certainty but is reasonably estimated to exceed \$1,000,000.**

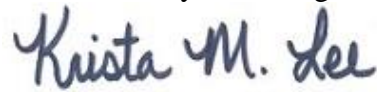
Assumptions for the bill as amended:

- Based on information provided by the ECD, the Department can handle any additional duties by utilizing its existing resources without an increased appropriation or a reduced reversion.
- Subdivision (c)(2) of Section 1 of this legislation required ECD to identify contractors to provide consultations to target hospitals for the creation of transformation plans.
- Based on information from the Tennessee Hospital Association, there are 66 acute-care, rural hospitals in Tennessee.
- Subsection (c)(2) of the legislation establishes that ECD transformation plans, which shall include both recommendations for utilizing both transformation funding to offset transition costs and funding remaining transition costs with hospital or community resources.
- The legislation does not define "transformation funding," nor does it specifically identify the source of any transformation funding, whether from state or local government for the creation of transformation plans.
- Amendment 017338 limits ECD's expenditures to \$1,000,000 per fiscal year and also terminates the program on July 1, 2021; therefore, it is assumed total state expenditures will be \$1,000,000 per year in each FY18-19, FY19-20, and FY20-21.
- Amendment 014272 creates an advisory committee comprised of representatives from various departments and public and private stakeholders. Such amendment does not specify whether members of the committee will be eligible for compensation, or reimbursement for travel or any other necessary expenses; therefore, it is reasonably assumed that members of the committee shall serve on the committee without compensation or reimbursement for any expenses incurred in attending meetings of the committee.

- None of the members of the committee are members of the General Assembly.
- Due to multiple unknown factors, including, if there will be any additional funding provided by state or local government, or what potential amount of funds that may be provided by state or local government, any additional impact upon state or local government cannot be estimated with any reasonable certainty. Should transformation funding be provided by state or local resources, it is reasonably estimated to exceed \$1,000,000.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/kml